

COUNTY ADMINISTRATOR

James O. McReynolds



BOARD OF SUPERVISORS

Walter C. Zaremba
District 1
Sheila S. Noll
District 2
Donald E. Wiggins
District 3
James S. Burgett
District 4
Thomas G. Shepperd, Jr.
District 5

October 8, 2002

The Board of Supervisors
County of York, Virginia

Dear Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report of the County of York for the fiscal year ended June 30, 2002, as required by the *Code of Virginia*. The Department of Financial and Management Services has prepared this report in accordance with the standards of financial reporting prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board and the Auditor of Public Accounts of the Commonwealth of Virginia. The independent certified public accounting firm of Goodman & Company, LLP, has audited the financial statements and their opinion is contained within this report.

Responsibility for both the accuracy of the presented data and the fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds and account groups of the County; and that all disclosures necessary to enable the reader to gain maximum understanding of the County's financial activity have been included.

224 Ballard Street • P.O. Box 532 • Yorktown, Virginia 23690-0532 • (757) 890-3320
Fax: (757) 890-4000 • TDD (757) 890-3300 • Email: ctyadm@yorkcounty.gov
A Hampton Roads Community

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the report of independent auditors on the financial statements, schedules and compliance, the general-purpose statements, the combining and individual fund and account group financial statements and schedules and supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The County government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and US Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of Federal awards, findings and questioned costs, and auditor's reports on internal control and compliance with applicable laws and regulations are included in the financial section of this report.

The County, as a separate and distinct political entity, provides a wide range of municipal services as contemplated by statute. Major functions include general government services, judicial services, public safety, environmental and development services, financial and management services, education and educational services, human services, general services and community services. In addition, the County operates and maintains a solid waste disposal program and water and sewer utility systems service geographically dispersed areas of the jurisdiction.

The County has included in its financial statements two discretely presented component units. Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The component units are the York County Public Schools and the Industrial Development Authority of York County.

ECONOMIC CONDITION AND OUTLOOK

York County continues to enjoy a relatively strong local economy. During the year, population grew to more than 59,400 and both the residential and commercial tax bases continued to expand. While growth has increased demand for government services, it has also provided additional resources. These additional resources, coupled with the existing financial base, and the conservative fiscal policy of the Board of Supervisors and County management, enabled the continued provision of the same high level of government service that has come to be expected of York County. As the debt levels, revenue base, and fiscal reserves and bond rating indicate, the County has a solid financial foundation.

MAJOR INITIATIVES

During the formulation of the fiscal year 2002 budget, the Board of Supervisors and County Administrator directed that the governmental emphasis be focused on maintaining a high level of support for the operation and construction of the schools, continued maintenance and extension of municipal water and sewer service, continued maintenance and upgrade of the County stormwater system and the capital improvements program of the County. Accordingly, this direction was translated into a number of specific projects to which major portions of the available resources were allocated.

Operations

Parks and Recreation

In October 2001, a groundbreaking ceremony was held for the Victory Family YMCA Community Center to be located in the lower portion of the County. The facility, a 45,000 square foot building, is a cooperative effort between the YMCA, the County and the City of Poquoson Industrial Development Authority. The center is targeted for completion and opening in January 2003.

Planning

The Comprehensive Plan, titled *Charting the Course to 2015*, provides a road map for the County for the next 13 years. After an extensive review of the existing plan, involving citizens and civic and business groups, the Board of Supervisors adopted a revised plan on October 6, 1999. Goals and initiatives discussed in the plan include encouraging quality commercial growth, support of the County's School division, purchase of conservation easements and environmentally sensitive lands, development of new recreational facilities, beautification of major entrances and commercial corridors including placing existing overhead utilities underground, construction of bicycle and pedestrian improvements leveraged with local funding, continued modernization and improvement of the County's emergency response and management capabilities and upgrading the technology available to County students and citizens.

Communications System Upgrade Project

The Communications Systems Upgrade Project includes a complete upgrade of the County's Computer Aided Dispatch (CAD) system and a regional 800 MHz public safety/public service trunked radio system that will allow for both digital and analog operation. The project includes the replacement of all mobile radio units of County Departments and Schools, the addition of mobile data terminals in the Sheriff and Fire and Life Safety vehicles, the upgrade of emergency communication equipment in the E-911 Center and renovations to the Public Safety Building.

Economic Development

The Office of Economic Development and the Industrial Development Authority continue to promote the County's economical growth by attracting new businesses to the County. Wal-Mart opened a super center in the summer of 2002 at the intersection of Route 17 and Victory Boulevard and is constructing a second center in the Lightfoot area of the County. Ryson International, a materials handling equipment company, will construct a 40,000 square foot building in the York River Commerce Park. Seaford Transfer completed its new facility in Victory Industrial Park and Busch Properties will be developing the second phase of Busch Industrial Park that will open up over 30 acres for new light industrial development. Also, in Upper York County, the Williamsburg Community Hospital will construct a 100,000 square foot Ambulatory Care Facility and eventually will relocate the entire hospital to an 83-acre tract in York County.

Capital Improvements Program

The County's six-year capital improvements program indicates that a major emphasis will continue to be placed on expansion of water and sewer facilities, school facilities, maintenance of buildings and improvement of stormwater facilities. Growth in the County's population is projected to continue an upward trend. Along with this growth, the County can anticipate an increased demand for government services.

County Facilities

The County is conducting a major renovation project at Fire Stations 2 and 3 to include the replacement of bay doors and upgrades to restrooms, bunkrooms and kitchen areas.

Stormwater Maintenance Program

The stormwater maintenance program continues to address ongoing drainage maintenance within County easements. For fiscal year 2003, the stormwater capital improvements program includes the areas of Brandywine, Moore's Creek, Foxwood-Darby Firby, Homestead and Tabb Lakes. Fiscal year 2004 projects include the areas of Waller Mill – Mer-shon/Royals, Edgehill/Fort Eustis and continued work at Moore's Creek.

Yorktown Capital Improvements

The County is committed to the revitalization of the Riverfront area in Historic Yorktown and other highly visible sections of Yorktown. In October 2000, the Board of Supervisors adopted the fiscal year 2001-2007 Yorktown capital improvements program as a long range planning document.

The revitalization of Yorktown includes the improvement plan for the waterfront area. The revitalization efforts will include the construction of a new 9,000 square foot waterfront restaurant and 10,000 to 12,000 square feet of retail space. The commercial development will be supported by a new 250 car-parking terrace. A pier will also be constructed to be capable of docking dinner cruise boats, passenger cruise lines, tall-ships and recreational boats. The commercial development will also be part of a riverwalk project that will connect the new commercial waterfront area with the National Park Service's "Information Center," the Watermen's Museum and the Commonwealth of Virginia's "Victory Center" museum.

Other projects within the Yorktown Capital Improvements Program include the following:

- Utility Undergrounding – to improve aesthetics by placing existing overhead utilities underground in other highly visible areas in Historic Yorktown.
- Streets, Walkways and Drainage – to improve drainage, enhance existing or add new walkways, improve street surfaces, enhance pedestrian lighting and improve signage.
- Shoreline Stabilization – to stop or minimize the loss of sand from the Yorktown shoreline and to protect the shoreline from the damaging storms.

Water and Sewer Projects

A schedule of major water and sewer construction projects in the County's Capital Improvements Program is below.

<u>Project</u>	<u>Type</u>	<u>Target Completion Date</u>	<u>Properties</u>
Back Creek Road	Sewer	FY2003	54
Skimino Hills	Sewer	FY2003	165
Marlbank Area	Sewer	FY2004	197
Old Wormley Creek Road	Sewer	FY2007	100
Wilkey Road/York Point	Sewer	FY2007	192
Darby/Firby Area	Sewer	FY2008	43
Falcon/Loblolly Drive	Sewer	FY2008	110
Carver Gardens	Water	FY2008	110
Old Quaker Estates	Water	FY2008	135
Skimino Farms	Water	FY2008	75
Queens Lake	Water & Sewer	FY2008	497

The County issued revenue bonds on December 1, 1999 for \$9.4 million to support the Utilities Strategic Capital Plan relating to sewer projects. These bonds will be repaid from the Sewer Utility Fund's revenues.

Schools

Tabb Middle School Renovations

In fiscal year 2002, site work construction of the athletic fields and grounds including additional parking, lighting and irrigation of fields began and was completed in September 2002.

Bruton High School Renovations

The design work for a major renovation project was completed in fiscal year 2002. Construction began in fiscal year 2003 to include roof replacement, HVAC system renovation, lighting, ceiling and classroom renovations and should be completed in August 2003.

Bethel Manor Elementary Renovations

In fiscal year 2002, construction of eighteen classrooms, site renovations and site improvements began and should be completed in August 2003.

Seaford Elementary Gymnasium

In September 2001, the gymnasium was completed and opened for both school and community recreational use.

Regional and Joint Cooperation

Regional Jail

Along with James City County and the Cities of Williamsburg and Poquoson, the County is a member of the Virginia Peninsula Regional Jail Authority. The Authority was created in 1993 for the purpose of constructing and operating a single jail for the participating localities. The project was developed to relieve the severely overcrowded conditions at existing facilities in the County and other jurisdictions. With the opening of this facility in June 1997, the County-owned facility was demolished and converted to additional parking for activities in the Yorktown historic area.

Juvenile Jail Facility

A regional coalition was created involving 16 counties and 2 cities, of which the County is a voting member, to secure a juvenile detention facility. A 48-bed facility was opened in December 1997 to meet the demand for secure juvenile detention placements among the member jurisdictions.

Other Projects

The County will continue to participate in a number of entities intended to address regional activities such as transportation, economic development and planning. The number of studies and planning projects done regionally will likely increase over time as localities within Hampton Roads recognize their shared future. The design and procurement of the Communications System Upgrade project is a joint venture with James City County.

FINANCIAL INFORMATION

The County's accounting records for general governmental operations are maintained on the modified accrual basis. This essentially involves the recording of revenues when they become measurable and available and the recording of expenditures when the goods and/or services are received or related fund liability is incurred. Accounting records for the County's enterprise (utility systems) and internal service (motor vehicle pool) funds are maintained on the accrual basis.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are a system of methods, practices and procedures designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived therefrom; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the County's system of internal accounting control adequately safeguards assets and provides reasonable assurance for the proper recording of financial transactions. Budgetary controls are maintained to ensure compliance with the budget approved by the Board of Supervisors. The approved budget is used as a tool to monitor general government expenditures within the limits adopted by the Board. Encumbrances are used to reserve a portion of the applicable appropriation for purchase orders, contracts and commitments of the County. Open encumbrances are reported as reservations of fund balances at year-end.

GENERAL GOVERNMENTAL OPERATIONS

Revenues and Other Financing Sources

The General Fund is the accounting and financial entity within which all general government operations of the County are reflected. Revenues and other financing sources for the General Fund totaled \$81.4 million for the fiscal year ended June 30, 2002. This represents an increase of 5.3% or \$4.1 million more than the comparable figure for the preceding fiscal year. The following is a summary of the various financing sources within the General Fund compared to fiscal year 2001 figures:

Table 1
General Fund Revenues and Other Financing Sources
By Source (in thousands)

	Fiscal 2002 Amount	Fiscal 2001 Amount	Actual Change from Fiscal Year 2001	Percentage Change from Fiscal Year 2001
General property taxes	\$ 53,622	\$ 50,721	\$ 2,901	5.7%
Other local taxes	17,334	16,315	1,019	6.2%
Use of money and property	1,067	2,022	(955)	-47.2%
Other local revenue	2,343	1,786	557	31.2%
Other governments	5,101	4,652	449	9.7%
Proceeds from capital leases	65	122	(57)	-46.7%
Transfers in	1,838	1,656	182	11.0%
Totals	<u>\$ 81,370</u>	<u>\$ 77,274</u>	<u>\$ 4,096</u>	5.3%

The increase in general property taxes is attributable to an increase in personal property and real property taxes, which is associated with normal growth of residential and commercial development which added to the assessment base. Personal property taxes and real property taxes increased by 6.2% or \$965,000 and 5.5% or \$1.9 million, respectively.

Other local taxes such as Sales and Use Taxes, Business License Taxes, Hotel and Motel Room Tax, Restaurant Food Taxes, Emergency Telephone Service Taxes (E911) and motor vehicle licenses show moderate growth resulting in an increase of approximately \$1,019,000 or 6.2%. Use of money and property shows a sharp decrease due to the decline of interest rates on County investments. Other local revenue increased approximately 31% due to an increase in workers' compensation dividends, recovered costs for streetlight operations and court costs. Revenue from other governments increased by approximately 9.7% as a result of funding received from the State Wireless Board for the development of a mapping project in the E-911 Communications Center and from the Federal government for a community policing grant to fund 5 additional Law Enforcement positions. Proceeds from capital leases for fiscal year 2002 was for a new administrative copier.

At June 30, 2002, the School Operating Fund balance totaling approximately \$662,000 was transferred to the General Fund, which represented an increase from June 30, 2001 of approximately \$108,000 in the Transfers In. The June 30, 2002 balance reflects excess revenues over expenditures attributed to miscellaneous unspent funds in the School Operating Fund.

Expenditures and Other Financing Uses

The following table presents the expenditures for the major functional areas of County Government for fiscal year 2002 as compared to similar figures for the preceding year:

Table 2
General Fund Expenditures and Other Financing Uses
By Major Functional Category (in thousands)

	Fiscal 2002 <u>Amount</u>	Fiscal 2001 <u>Amount</u>	Actual Change from Fiscal <u>Year 2001</u>	Percentage Change from Fiscal <u>Year 2001</u>
General Government	\$ 1,337	\$ 1,446	\$ (109)	-7.5%
Judicial Services	1,803	1,754	49	2.8%
Public Safety	14,702	13,868	834	6.0%
Environmental & Developmental Services	2,194	2,070	124	6.0%
Financial & Management Services	5,645	5,455	190	3.5%
Education & Educational Services	2,057	1,774	283	16.0%
Human Services	1,029	998	31	3.1%
General Services	4,210	3,892	318	8.2%
Community Services	2,096	2,092	4	0.2%
Non-Departmental/Debt Service	986	788	198	25.1%
Capital projects	1,351	845	506	59.9%
Transfers out	44,391	42,912	1,479	3.4%
Totals	<u>\$ 81,801</u>	<u>\$ 77,894</u>	<u>\$ 3,907</u>	5.0%

As is reflected above, General Fund expenditures increased 5.0% from the previous fiscal year. Significant changes for fiscal year 2002 include the following:

- All employees were granted a 2.4% market adjustment in their salaries as of July 1, 2001, which is reflected in the increases in the percentage change column in the above table.
- The decrease in General Government is attributable to the purchase in FY2001 of new office furniture and equipment for the renovated offices of County Administration and County Attorney.
- The increase in Public Safety is attributed to an increase of five new positions in the Sheriff's office funded through the Federal government community policing grant and two additional Dispatcher positions added to the Central Dispatch Division of Fire and Life Safety Department.
- Environmental and Developmental Services reflects an increase due to the new Planner I position to support the Division of Development and Compliance, a new position created entitled Sediment and Erosion control Inspector to support Building Regulations and additional funding to support the Stormwater Maintenance Program.
- Financial and Management Services's increase is due to the addition of a part-time Administrative Assistant I to support the Human Resources Division and a Network Administrator in Computer Support Services Division.
- The increase in Education & Educational Services is attributed to the increase in the Library's collection of books, CD's, and recording materials.
- The 8.2% increase in General Services is attributed to increased maintenance and repairs of County grounds to include recreation facilities, ball fields, and landscaping services and an increase in utility costs including electricity, water, and telephone.
- Non-Departmental/Debt Service reflects an increase due to the support in the construction of the new Victory Family YMCA Community Center.

- The increase in Transfers Out is attributed to the transfer to support Yorktown capital improvements and school operations and construction projects.

PROPRIETARY FUNDS

The County currently operates seven Enterprise Funds and one Internal Service Fund. The Enterprise Funds provide the means to account for the operations of the County-operated utilities, the two sanitary districts, the County solid waste disposal activity, and the revitalization of Yorktown. The Internal Service Fund is used to account for the operation of the centralized motor vehicle pool.

The Enterprise Funds in the aggregate had an operating income during the fiscal period of \$2,228,302 with a net income of \$3,338,001. The Internal Service Fund reported an operating income of \$196,662. The retained earnings for all of the Enterprise Funds and Internal Service Fund increased by \$4,669,522 to \$37,511,848 at the end of the fiscal year. Given the size and nature of the County's proprietary funds, these retained earnings are prudent and adequate.

DEBT ADMINISTRATION

The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are useful indicators of the County's debt position. The data as of June 30, 2002, as compared to the close of the previous fiscal year are as follows:

<u>Year</u>	<u>Population</u> <u>(1)</u>	<u>Assessed</u> <u>value of</u> <u>property</u> <u>(in thousands)</u>	<u>Net</u> <u>bonded</u> <u>debt</u> <u>(in thousands)</u>	<u>Ratio of net</u> <u>bonded</u> <u>debt to</u> <u>assessed</u> <u>value</u>	<u>Net</u> <u>bonded</u> <u>debt per</u> <u>capita</u>
2002	59,400	\$ 4,945,209	\$ 43,380	0.0088	\$ 730
2001	58,500	\$ 4,523,522	\$ 42,657	0.0094	\$ 729

Source (1): County of York - Planning Division

On November 1, 2001, the County issued \$15,005,000 General Obligation Bonds with an average interest rate of 3.96% to advance refund \$14,860,000 of outstanding 1994 Series Bonds with an average interest rate of 5.7%. The net proceeds from the bonds were used to purchase U. S. Treasury Securities, which were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on \$14,860,000 of the \$20,210,000 1994 Series Bonds outstanding as of June 30, 2001.

The County continues to maintain an excellent bond rating for local governmental jurisdictions of its type and size. The rating assigned by Standard & Poor's Corporation is AA and Moody's is Aa2.

In the fall 2002, the County will be issuing \$8,400,000 General Obligation Bonds sold through the Virginia Public School Authority. The bonds will be used to fund a portion of the School Capital Budget specifically the renovation of Bruton High School.

CAPITAL PROJECT FUNDS

The Capital Project Funds are used by the County to account for the financing sources used to acquire and construct major capital projects for the general government. A major source of funding for the capital projects is transfers from the General Fund.

County Capital Fund

For fiscal year 2002, \$3.5 million was transferred to the County Capital Fund from the General Fund. During the year, capital project expenditures of \$2.9 million included the following:

- Development of a digital indexing and imaging system in the Clerk of Circuit Court's Office.
- Design costs for the Communications System Upgrade Project.
- Upgrade of Russell Lane in the County's Dirt Street Program. This program improves private unimproved roads so that these roads may be included in the State Secondary Road System maintained by the Virginia Department of Transportation.
- Transfer to the schools for the roof replacement at the maintenance facility, upgrade to the fire alarm system, classroom technology and the construction of fields and grounds at Tabb Middle School.

Yorktown Capital Improvements Fund

For fiscal year 2002, \$1.3 million was transferred to the Yorktown Capital Improvements Fund from the General Fund. During the year, capital project expenditures of approximately \$1 million included the following:

- Land acquisition at the waterfront area.
- Funding for beach nourishment on already improved segments of the Yorktown beach.
- Design and engineering fees associated with parking lots, streetscape improvements, and revitalization of the waterfront to include a riverwalk, pier and commercial development.

CASH MANAGEMENT

The County Treasurer, through daily activity with several local banking institutions, carries out an aggressive cash management program. Temporarily idle funds are invested promptly in repurchase agreements and other instruments that are secured or collateralized by government securities as required by the *Code of Virginia*. Income from this cash management program was in excess of \$1.6 million for fiscal year 2002.

RISK MANAGEMENT

During fiscal year 2002, the County continued its long-standing practice of maintaining third party coverage for basic property, casualty, and liability risk. To enhance the attractiveness of the County in the competitive bid process for this coverage, continued attention is given to loss management. Through the use of appropriate deductibles and the services of a professional risk management consultant, costs associated with this risk management program have been stabilized at an acceptably low level. The County and the School Division have contracted with a third party to administer a high-deductible workers' compensation program with risk of up to \$200,000 for each occurrence subject to a \$600,000 annual aggregate on the combined claims.

INDEPENDENT AUDIT

The *Code of Virginia* and the Commonwealth's Auditor of Public Accounts require an annual audit of the books of account, financial records and the transactions of all administrative departments, agencies and activities of the County by an independent certified public accountant selected by the Board of Supervisors. This requirement has been complied with and the report of independent auditors has been included in the Financial Section of this report.

In addition to meeting the requirements set forth in State statutes and regulations, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The reports of independent auditors, which relate specifically to the single audit, are also included in the Financial Section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the County of York for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County of York has received a Certificate of Achievement for the last sixteen consecutive years (fiscal years ended 1986 through 2001). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for review.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the Department of Financial and Management Services, especially the Division of Budget and Financial Reporting, the Office of the Treasurer, the School Division and the York/Poquoson Department of Social Services. I would like to express my appreciation to all of the members of these staffs who assisted and contributed to its preparation. I would also like to thank the members of the Board of Supervisors who, both individually and collectively, provided the guidance and support essential to the conduct of the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

James O. McReynolds
County Administrator